



31 July 2008

Company Announcements Office  
Australian Stock Exchange  
Exchange Centre  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

### **Update for the Quarter ended 30 June 2008**

#### **Highlights:**

- New distribution agreement signed with VOK Beverages (VOK).
- \$2 million cornerstone investment from VOK via a convertible loan note facility.
- Additional \$1.5 million secured through Rights Issue.
- Heads of Agreement signed with Ballydooly Cider Company to form JV for production of premium-quality cider.

**Gage Roads Brewing Co Ltd (ASX: GRB)** today released its quarterly report, Appendix 4C (attached), for the period ending 30 June 2008.

The period was a productive one for the Company, with a number of important developments including: the appointment of a new distribution partner, exciting new product developments, successful capital raising and significant cost reductions.

In May, the Company announced a major new distribution agreement with South Australia-based, VOK.

VOK has a strong reputation in the beverages industry and has already helped to boost sales of Gage Roads products nationally. July is looking to be the Company's best sales to trade month ever, which is a particularly notable achievement during the coolest month in a seasonally sensitive market.

In addition to the distribution agreement, VOK has also agreed to take a \$2 million cornerstone investment in Gage Roads by way of a convertible note facility. The convertible note, which is subject to shareholder approval, will provide \$2 million in funding to Gage Roads over the next 2 years. The convertible note is interest free, unsecured and provides for the funds to be converted into ordinary shares on a quarterly basis at a 12.5% discount to the prevailing VWAP of Gage Roads shares.

AUSTRALIA'S CRAFT BREWERY

GAGE ROADS BREWING CO LTD  
ABN 22 103 014 320

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During the quarter, the Company also successfully raised \$1.5 million through a Rights Issue. The funds raised through the Issue combined with the agreement with VOK, provides Gage Roads with a total of \$3.5 million in raised funds. This leaves the Company with around \$600,000 to raise from the \$4.1 million target set in January of this year. The Company is in discussion with a number of parties in relation to the placement of this remaining sum.

In July, Gage Roads and Ballydooly Cider Company executed a heads of agreement to form a joint venture to produce premium-quality cider for the Australian market. The current Australian cider market is worth in excess of \$107 million annually and is dominated by one product, which provides enormous potential for new brands. Ballydooly is the largest independent cider manufacturer in New Zealand and brings to the JV a range of established premium cider recipes using Australian and New Zealand apples.

In the coming quarter, Gage Roads intends to launch two ciders with Ballydooly designed to appeal to different segments of the cider drinking market. The Company will also launch a low carbohydrate beer with a unique selling and branding proposition.

In June, 7 out of 8 of the Company's sales force were made redundant with 6 of the 7 being offered employment with VOK. This initiative ensured a relatively seamless transition and provided Gage Roads with a number of savings in the short and long term as well as time to focus its efforts on marketing and production.

Gage Roads' Chief Executive Officer Nick Hayler said the quarter had been a significant one in the Company's history.

"We have executed a number of changes in the past quarter which have been instrumental in securing Gage Road's future as a leading craft brewer," said Mr Hayler.

"In particular, the smooth transition from Constellation Wines Australia to VOK Beverages has provided us with a distribution partner whose strategies are aligned with those required to succeed in the highly competitive beer market.

"With VOK's support, an expanding range of quality beverages and a clear and focused path to profitability, we are encouraged about the outlook for the Company," he said.

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**For further information please contact:**

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Name of entity

GAGE ROADS BREWING CO LIMITED

ABN

22 103 014 320

Quarter ended ("current quarter")

30 June 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	615	2,248
1.2 Payments for		
(a) staff costs	(575)	(1,917)
(b) advertising and marketing	(233)	(1,321)
(c) research and development	--	--
(d) leased assets	--	--
(e) other working capital	(1,031)	(2,616)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	4	75
1.5 Interest and other costs of finance paid	(11)	(43)
1.6 Income taxes paid	--	--
1.7 Other	--	--
<b>Net operating cash flows</b>	<b>(1,231)</b>	<b>(3,574)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,231)	(3,574)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	--	--
(b) equity investments	--	--
(c) intellectual property	--	--
(d) physical non-current assets	(44)	(410)
(e) other non-current assets	--	--
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	--	--
(b) equity investments	--	--
(c) intellectual property	--	--
(d) physical non-current assets	--	--
(e) other non-current assets	--	--
1.11 Loans to other entities	--	--
1.12 Loans repaid by other entities	--	--
1.13 Other (provide details if material)	--	--
<b>Net investing cash flows</b>	(44)	(410)
<b>1.14 Total operating and investing cash flows</b>	(1,275)	(3,984)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	1,489	2,335
1.16 Proceeds from sale of forfeited shares	--	--
1.17 Proceeds from borrowings	17	17
1.18 Repayment of borrowings	(37)	(145)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	1,469	2,207
<b>Net increase (decrease) in cash held</b>	194	(1,777)
1.21 Cash at beginning of quarter/year to date	505	2,476
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 <b>Cash at end of quarter</b>	699	699

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(98)
1.25	Aggregate amount of loans to the parties included in item 1.11	--

1.26 Explanation necessary for an understanding of the transactions:

Payments include directors fees for non executive directors and salaries for executive directors
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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows:

NIL
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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest:

NIL
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**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	444	444
3.2	Credit standby arrangements	--	--

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**Reconciliation of cash**


Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	699	505
4.2	Deposits at call	--	--
4.3	Bank overdraft	--	--
4.4	Other (provide details)	--	--
<b>Total: cash at end of quarter</b> (item 1.23)		699	505

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A
5.2	Place of incorporation or registration	
5.3	Consideration for acquisition or disposal	
5.4	Total net assets	
5.5	Nature of business	

**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31 July 2008.  
 (Company secretary)

Print name: John Hoedemaker

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## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below:
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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